

Rob Hutton

STATE REPRESENTATIVE • 13TH ASSEMBLY DISTRICT

August 24, 2017

To: The Assembly Committee on Education
From: Rep. Rob Hutton
Re: Assembly Bill 471

Testimony of Rep. Rob Hutton in Support of Assembly Bill 471

Mr. Chairman and members of the committee, thank you for giving Assembly Bill 471 a public hearing. I am joined today by several stakeholders from our education community including public and choice schools who support the legislation. Last session, a broad group of education experts came together to discuss areas of agreement to improve all schools so that we can better serve the children of Wisconsin. This group developed the "Wisconsin Succeeds" agenda, which is a compilation of many ideas and strategies to move Wisconsin's education system forward for everyone. This legislation is aimed at addressing one of the major policy items, creating 12 equal payments of state aid to schools.

Under current law, school districts receive 4 payments state aid, one at 15% in September, 25% in December, 25% in March, and 35% in June. All together by the end of the school year the school has received 100% of the state aid that it has based its budget around. Current law also allows for school districts to instead opt to receive 10 equal payments from September to June, but must compensate the state for any lost interest, therefore penalizing that school district. AB 471 requires the state to pay schools in 12 equal payments, once per month, over the school year. It does not require the school district to compensate the state for lost interest and removes this provision from the 10 month model should school districts prefer that method.

As we have continued to look at ways to streamline government and encourage state and local governments to operate more like the private sector we found that this legislation meets those marks. This will help to alleviate the problem of short term borrowing that so many of a school districts face in order to meet payroll. Since schools pay their employees monthly, and not in 4 installments equal to when they receive state aid, this can lend to a buildup of what is owed to employees versus what cash is on hand and what the cash the school district will eventually have by the end of the school year. In order to meet these cash needs school districts must often take out loans. While these loans are repaid quickly they still lose money to the interest that is charged on the loan. One recent compilation has shown that this costs school district \$3.8 million annually. Which is \$3.8 million that could be going to the classroom instead of paying interest of loans.

Thank you again for the opportunity to testify in support of AB 471. There are several members from the education community with me today to present how the current model affects their budgeting and priorities. I am happy to answer any questions you may have about the legislation.



Luther S. Olsen

State Senator

14th District

TO: Assembly Committee on Education
FROM: Senator Luther Olsen
DATE: Thursday, August 24, 2017
SUBJECT: Testimony for Assembly Bill 471

Thank you Chairman Thiesfeldt and members of the Assembly Committee on Education for holding a hearing and allowing me to testify in support of Assembly Bill 471.

Currently, school districts and choice schools received their state aid in four quarterly payments. They receive 15% in September, 25% in December and March, and the remaining 35% in June. Current law also allows for school districts to opt to receive their funding in 10 equal payments from September to June, as long as they pay a portion of their state aid back to the state to recover lost interest due to more frequent payments.

This legislation would create a 12 month distribution schedule with equal payments with no penalty to the school districts for receiving their state aid in even increments. This model will provide more local control to school and school districts by allowing them more flexibility in how they budget and manage their cash flow.

These payments are used for schools to meet their operational needs and by using the quarterly model for distribution it can end up causing additional costs for school districts to cover up front. With the current model some school districts have even had to resort to taking out short term loans to cover their costs until their next payment from the state comes in. Assembly Bill 471 will help to put more money in the classroom and stop the short term borrowing which wastes state aid that should be going to our children's education.

Again, thank you Chairman Thiesfeldt and members of the Assembly Education Committee for holding a hearing today.



School Administrators Alliance

Representing the Interests of Wisconsin School Children

TO: Assembly Committee on Education
FROM: John Forester, Executive Director
DATE: August 24, 2017
RE: AB 471 – Payment of State Aid

The School Administrators Alliance (SAA) supports Assembly Bill 471, relating to the payment of state school aid and the payment to charter schools and private schools participating in a choice program or in the Special Needs Scholarship Program.

AB 471 changes the timing of state aid payments to school districts to 12 equal monthly payments. It also changes the timing of payments to independent charter schools and private schools participating in a choice program or in the Special Needs Scholarship Program to 12 equal monthly installments.

The SAA supports this bill because it will improve cash flow and lower short-term borrowing costs for most Wisconsin school districts. The current school revenue distribution schedule in Wisconsin is end-loaded, with most of a school district's revenue arriving, in the form of local property taxes and state aid, more than six months after the beginning of the fiscal year (July 1). For example, under current law, a school district receives 15 percent of its state general aid in September, 25 percent in December, 25 percent in March, and 35 percent in June after the conclusion of the school year and close to the end of the fiscal year. Other factors contributing to school district cash flow challenges include:

- Some general aid is paid to districts in July after the end of the fiscal year.
- Districts receive no general aid in August, October, November and May.
- Districts receive no property tax revenue for the first half of the fiscal year (July through December).
- The \$1.003 billion in school levy credits and first dollar credits are received by districts in August after the fiscal year is over.

I'm sure you recall that on June 15th of this year, the committee heard Assembly Bill 77 which would even out the four general aid payments to 25 percent each. At that hearing, the Chief Financial Officer for the Appleton Area School District testified that the district currently borrowed close to \$20 million annually to meet cash flow needs and that AB 77 would cut the district's short-term borrowing costs approximately in half. We believe that AB 471 would have at least a similar impact on reducing districts' short-term borrowing costs. And these savings could then be repurposed for the classroom or other annual budget uses.

Some argue that passage of this bill will automatically mean that school districts will: 1) discontinue plans to build a larger fund balance, or 2) reduce the amount of fund balance they are carrying. Some districts may be able to do that and we applaud the fiscal flexibility afforded under the bill. However, Wisconsin has 422 school districts. Each district operates under unique fiscal and educational circumstances and has unique reasons for building its financial cash reserves. Therefore, blanket statements or general recommendations cannot possibly cover all the unique situations that necessitate a larger or smaller district fund balance.

Allow me to share just a couple of examples. School districts that receive little or no state general aid will still need to carry significant cash reserves to meet their cash flow needs, even if AB 471 is adopted. In addition, for the more than 60 percent of school districts that are currently in declining enrollment, sufficient cash reserves allow these districts to better manage the decline.

In closing, I would like to share with the committee several reasons, other than cash flow purposes, why sufficient cash reserves are so important to Wisconsin school districts.

- A district's financial cash reserves must be adequate to protect the short-term and long-term educational opportunities for that community's children against some type of financial disruption.
- Provides a way to set money aside for planned and unplanned expenses such as repairs (roof), maintenance (new heating systems etc.), catastrophic (or near catastrophic) events, or major purchases (buses, textbooks, new educational programs).
- Sufficient cash reserves insulate districts against revenue loss and instability. Uncertainty about state and federal funding and the myriad problems posed to school districts in declining enrollment are among the biggest reasons that districts add to their fund balances.
- The establishment of sufficient and stable district cash reserves is considered a prudent business practice that will result in higher credit ratings and lower district borrowing costs.

Thank you for your consideration of our views. If you should have any questions on our thoughts on AB 471, please call me at 608-242-1370.



Assembly Bill 471

Relating to: the payment of state aid to school districts and payments to operators of independent charter schools and private schools participating in a choice program or the Special Needs Scholarship Program. Under current law, the Department of Public Instruction pays annual amounts due to operators of independent charter schools and to private schools participating in a choice program or the Special Needs Scholarship Program in four equal quarterly installments. These installments are paid in September, November, February, and May. Under the bill, other than for the first school year in which payments are received, DPI pays operators of independent charter schools and private schools participating in a choice program or the Special Needs Scholarship Program in 12 equal monthly installments. For the first school year in which an operator of an independent charter school or private school participating in a choice program receives a payment from DPI and for the first year in which a pupil participates in the Special Needs Scholarship Program, DPI pays the annual amount due in ten equal monthly installments.

Thank you for the opportunity to present at this hearing regarding Assembly Bill 471 regarding payment of state aid to school districts, payments to operators of independent charter schools and private schools participating in a choice program or Special Needs Scholarship Program.

I would be present today however; Seton Catholic Schools is in the opening of school events with our faculty and school leaders and need to be present in Milwaukee for the launch of the school year.

We support Assembly Bill 471 and applaud the effort underway to show public schools, charter schools and choice schools finding common ground and improve how schools can be managed cross sector and more financially efficient

I served as the superintendent of the Greendale School District leading the team that created, maintained and am proud to say still is, a district known for producing outstanding student achievement, financial management and engagement as well as a number of prominent school and education leaders for 16 years. Then, from 2012 to late 2015. I spent three years with Schools That Can Milwaukee working cross sector in MPS, Charter and Choice programs to create high performing schools in Milwaukee.

Since January 2016 I am Chief Academic Officer of the Seton Catholic Schools – a collaborative network of 13 k-8 choice schools – Seton Catholic schools the largest private management organization of Catholic k-8 schools in the nation now with nearly 400 faculty and staff, 3,100 students growing to 26 schools and close to 500 teachers and 10,000 kids shortly. We are working every day to bring high quality Catholic Education, talent development and operational efficiency to parish schools as part of a Performance Management organization.

This legislation is good for all schools, charter, public, and choice and it is a clear signal of the importance of creating successful schools regardless of sector rather than politics and advocacy of one sector over another.

We support this legislation for the following reasons:

- It provides a concrete demonstrable project of the shared interests public, charter and choice schools have in working together for financial efficiency and focus on dollars to the classrooms. We need to find common ground around the interest of students and families and this bill provides it. Thank you to the

leaders across public, choice and charter schools for working with our legislative leaders in a model of collaboration and the interest of high performing schools.

- Currently districts, performance Management Organizations or network often rely on a line of credit or short term borrowing if they do not have the reserves/fund balance to manage cash flow. This bill rectifies or for those struggling financially alleviates this challenge this.
- This bill allows districts with very robust (rich fund balances) to use those funds to off set operation costs, invest in buildings or programs and not have to keep so much of the public money in reserve for cash flow – to off set borrowing needs. In other words, return the funds to the original intent, to educate kids or back to the local taxpayer. Like great ships aren't supposed to sit in the harbor, tax money needs to be used, not held in reserve beyond what is appropriate.
- This bill allows charter, choice, and public schools to choose how best to receive their state revenue and frees public schools from having to return part of their funding for lost interest the state may incur. Lets all remember, the state revenue started as tax dollars from individuals, corporations or groups.

I can't say enough to recognize the school, district, and association leaders that have worked together – cross sectors to find common ground. This is what the future looks like in Wisconsin. Accepting, we are all in this together to create successful schools for kids and for their parents to choose the school they want for their child.

At SCS, we believe we must stay focused on the needs of our students, local parishes, and support the choice the parents have made to educate their children in the education program and school of their choosing. Many families do not care about the Charter/Choice/Public matter. They want high quality schools for their kids and so do all of us.

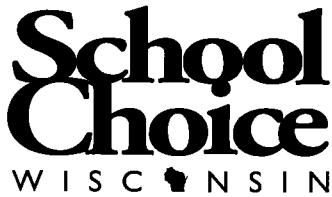
What better way to start the school year than show the education wars are ending and we are in quest together to create high performing schools that use their funds the best way possible to educate kids in charter, choice or public schools. In the end, I think most of us can agree that the end goal is making sure public funds are wisely deployed and that we keep our eye on the ball of successful schools, regardless of the sector.

Thank you for your consideration.

Sincerely,



William H. Hughes, Ph.D.
Chief Academic Officer
Seton Catholic Schools
Milwaukee, WI



350 Bishops Way, Suite 104 Brookfield, WI 53005 • Phone 414 319 9160

Date: August 24, 2017
To: Assembly Committee on Education
From: Jim Bender, President, School Choice Wisconsin
RE: Testimony on AB 471

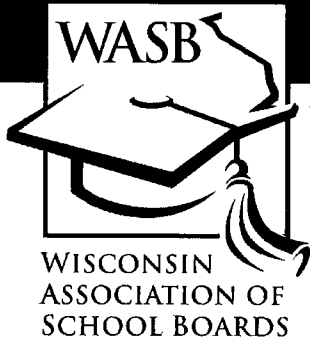
Chairman Thiesfeldt and committee members, thank you for taking testimony on Assembly Bill 471. This legislation was the result of work by a group of school leaders from both public and private schools across the state. This group is called Wisconsin Succeeds. The group's goal is simple – create solutions that would benefit all students in Wisconsin.

Assembly Bill 471 would change the state payment schedule for all publicly-funded schools and students to a monthly basis. This simple change would reduce short-term borrowing costs and free up restricted sections of reserve accounts.

As vendor payments and employee payroll go out the door on a net 30 basis, creating a monthly state aid schedule makes perfect sense. This change will result in significant resources that are currently used for cash flow management being transferred directly into the classroom.

We support the legislation before you and would gladly answer any questions you may have.

Thank you for considering this legislation.



"Leadership in Public School Governance"

JOHN H. ASHLEY, EXECUTIVE DIRECTOR

122 W. WASHINGTON AVENUE, MADISON, WI 53703
PHONE: 608-257-2622 FAX: 608-257-8386

TO: Members, Assembly Committee on Education
FROM: Dan Rossmiller, WASB Government Relations Director
DATE: August 24, 2017
RE: **SUPPORT for ASSEMBLY BILL 471**, relating to the payment of state aid to school districts and payments to operators of independent charter schools and private schools participating in a choice program or the Special Needs Scholarship Program.

The Wisconsin Association of School Boards (WASB), on behalf of all 422 public school boards in the state of Wisconsin, **supports** Assembly Bill 471, although we have some concerns.

Assembly Bill 471 would change the timing of state general equalization aid payments to public school districts and of state payments to operators of independent charter schools, private schools participating in a voucher program, and private schools participating in the Special Needs voucher program.

Under current law, a school district receives 15 percent of its state general aid in September, 25 percent in December, 25 percent in March and 35 percent in June. Under the bill, school districts would receive their state general aid allotment in 12 equal monthly payments.

The WASB **supports** AB 471 *in concept* but has questions about the meaning of "equal monthly payments" given that general aid amounts are not currently certified until October 15 and thus the July, August and September payments could in theory not be the same as those made in October and thereafter. Other adjustments to aid payments may result from open enrollment of pupils into or out of a district or from resident pupils enrolling in voucher schools or certain independent charter schools. We also note that the bill has a substantial fiscal note as it would shift a significant amount of GPR payments to schools earlier in the state's fiscal year.

The WASB also wants to emphasize that although this bill would improve the cash flow of many districts that receive substantial amounts of general aid, it will not alleviate the need for many districts to maintain adequate fund balances to lessen short-term borrowing costs and maintain operations. This is particularly true of districts that receive little or no state general aid. They receive the bulk of their funding from property taxes, which are handed over in just three installments—in January, February and August—requiring these districts to maintain adequate reserves to meet cash flow needs.

We also note that aid payments to public schools are based on prior year data while payments to private schools that participate in the voucher program are based on current year data. We understand that the Department of Public Instruction (DPI) has raised a number of issues about the way payments to private voucher schools would be handled under the bill, particularly for private schools that are new to the voucher program. This means the current system is more responsive to changes in private voucher school enrollment and already more closely matches state payments to enrollment in private schools than in public schools.

Note: Existing WASB Resolution 2.20 (d) supports an aid payment schedule that provides for payment of equalization aids in (ten) installments of 10 percent each in August, September, January and February, and 15 percent each in October, November, December and June.